

AMENDED IN SENATE JUNE 2, 2003

SENATE BILL

No. 268

Introduced by Senator Soto

February 18, 2003

An act to amend Sections 20776 and 21037, 21037, and 21050 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 268, as amended, Soto. Public employees' retirement: service credit payments.

Under the Public Employees' Retirement Law, retirement benefits are calculated in part based on years of creditable service. Under that law, members may elect to purchase service credit for various types of public service, upon payment of additional contributions. If a member dies under circumstances in which a special death benefit is payable, or if a member becomes subject to retirement for industrial disability, and the member has not paid the entire amount for a service credit purchase, the balance remaining unpaid is generally payable immediately. However, the survivor of a member who died with a special death benefit payable and had authorized payroll deductions may continue those deductions from the survivor allowance in lieu of the lump-sum payment otherwise required.

This bill would, subject to certain limitations, authorize members who have elected to purchase service credit on an installment basis to prospectively discontinue the payments if the member becomes disabled and the service credit purchase will not result in a higher retirement allowance than the member's disability retirement allowance. The bill would also permit the survivor of a member who was making service credit purchase payments on an installment basis,

and *who* died with a special death benefit payable, to prospectively discontinue making payments for the member's service credit purchase, if the service credit purchase would not increase the survivor's allowance and if various conditions are satisfied. *The bill would require the amount of any service credit purchase installment payments commencing after January 1, 2004, to include an actuarial adjustment as necessary to take into account the bill's provisions.* The bill would also make related changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 20776 of the Government Code is
2 amended to read:
3 20776. (a) If a basic death benefit becomes payable before
4 the payment of the total amount the member elected to pay under
5 any election with respect to normal contributions, arrears
6 contributions, absences, or public service credit permitted under
7 this part, the member's entire compensation, or the service upon
8 which that total amount was based, as the case may be, shall be
9 included in the computation of the portion of the death benefit that
10 is provided in subdivision (b) of Section 21532, and the unpaid
11 balance of the total amount ~~shall~~ may not be paid to this system,
12 nor ~~shall~~ may it be included in the member's accumulated
13 contributions that constitute a part of the basic death benefit.
14 (b) Any balance of any total amount remaining unpaid at the
15 death of the member on account of whom a special death benefit
16 is payable or at the retirement of a member for industrial disability
17 may be subject to Section 21037 when payment of the balance
18 would not increase the allowance payable. When the balance of the
19 amount remaining unpaid would increase the allowance payable,
20 the balance shall become due and payable immediately, except that
21 the survivor of a member who died under circumstances under
22 which a special death benefit is payable and who had authorized
23 payroll deductions may elect to continue those deductions from the
24 survivor allowance in lieu of the lump-sum payment otherwise
25 required. If the balance is not paid, the portion of the unpaid
26 amount representing contributions on compensation earned in the
27 membership applicable to the member at the time of injury



1 resulting in death or disability shall be deducted from the benefit
2 otherwise payable and this system shall be discharged from any
3 liability for any annuity or benefit with respect to any remainder
4 of the unpaid contribution.

5 (c) Any balance of the total amount remaining unpaid at the
6 time of retirement for service or ordinary disability, or at death,
7 with respect to which a benefit is payable under Section 21546,
8 may be subject to Section 21037 when payment of the balance
9 would not increase the allowance payable. When the balance of the
10 amount remaining unpaid would increase the allowance payable,
11 the balance shall become due and payable immediately, except that
12 the survivor of a member who died under circumstances under
13 which a benefit under Section 21546 is payable and who had
14 authorized payroll deductions may elect to continue those
15 deductions from the survivor allowance in lieu of a lump-sum
16 payment of the balance due. If the balance is not paid, the service
17 credit included in the election shall be reduced proportionately and
18 any service credit dependent on completion of payments
19 eliminated for purposes of computing the allowance but not for
20 purposes of determining entitlement to an allowance.

21 (d) Notwithstanding any provision of subdivision (b) or (c), a
22 member who retires before payment of the total amount which he
23 or she elected to pay, may elect to pay the balance due, or the total
24 amount if no payroll deductions had been made prior to retirement,
25 by deductions from his or her retirement allowance equal to those
26 which the member authorized as payroll deductions. In that case,
27 service credit included in the election ~~shall~~ may not be reduced,
28 nor ~~shall~~ may any prior service dependent on completion of
29 payments be eliminated for purposes of computing the allowance.
30 Any balance of the total amount remaining unpaid upon the death
31 of the member shall be treated in the same manner as unpaid
32 balances are treated if a special death benefit is payable, except that
33 the survivor of a retired member who had authorized deductions
34 from his or her retirement allowance in accordance with this
35 subdivision, and who is eligible for a monthly allowance, may
36 elect to continue those deductions from the survivor's allowance
37 in lieu of the lump-sum payment otherwise required.

38 (e) Interest paid with respect to normal contributions, arrears
39 contributions, absences, or public service credit permitted under
40 this part, prior to date of retirement or death of the member, shall

1 be credited to the member's individual account. Interest paid after
2 the date of retirement or death of the member shall be credited to
3 the retirement fund pursuant to Section 20174.

4 SEC. 2. Section 21037 of the Government Code is amended
5 to read:

6 21037. Notwithstanding any other provision of law, the
7 following shall apply:

8 (a) A member who has elected to receive credit for service by
9 contributing in installments and who retires for disability on or
10 after January 1, 2004, when the election for service credit does not
11 increase the member's allowance payable, may elect to cancel the
12 installments prospectively. The member's election may be
13 received by the system no more than 30 days after the date on
14 which the member's retirement for disability is approved. The
15 effective date of the member's election shall be the effective date
16 of the member's retirement for disability. No refund of
17 contributions paid in installments prior to the effective date of the
18 member's election may be payable to a member or retired member
19 as a result of an election made by a member pursuant to this
20 section.

21 (b) A member's election pursuant to this section shall be void,
22 and installment payments shall resume, upon a member's
23 reinstatement from retirement for disability. The remaining
24 balance due shall be recalculated to include interest during the
25 disability retirement period.

26 (c) On or after January 1, 2004, the survivor of a member who
27 elected to receive credit for service by contributing in installments,
28 when the survivor is eligible to receive an allowance subject to
29 Section 21541, may elect to cancel the installments prospectively
30 when the election for service credit does not increase the survivor's
31 allowance payable. The survivor's election shall be received by the
32 system no more than 30 days after the member's date of death. The
33 effective date of the survivor's election shall be the member's date
34 of death. No refund of contributions paid in installments prior to
35 the member's date of death ~~shall~~ may be payable as a result of an
36 election made by a survivor pursuant to this section.

37 (d) A survivor's election pursuant to this section shall be void,
38 and installment payments shall resume, upon a determination that
39 the death was not industrial, following payment of a temporary
40 ~~Special Death Benefit~~ *special death benefit* allowance, provided

that the survivor is then entitled to a monthly allowance under Section 21546, 21547, 21547.7, or 21548. The remaining balance due shall be recalculated to include interest during the temporary ~~Special Death Benefit~~ *special death benefit* period.

(e) A member who retired for disability prior to January 1, 2004, or the survivor of a deceased disability retiree who began receiving a postretirement death benefit allowance prior to January 1, 2004, or the survivor of a member who began receiving an allowance subject to Section 21541 prior to January 1, 2004, may elect to cancel installments prospectively when the election for service credit does not increase the allowance payable. The effective date of the election shall be the date that the election is received by this system. No refund of contributions paid in installments prior to the effective date of the election may be payable pursuant to this section.

SEC. 3. Section 21050 of the Government Code is amended to read:

21050. (a) An election by a member to receive credit for service under this part, in addition to his or her current and prior service credit, shall be effective only if accompanied by a lump-sum payment or an authorization for payments, other than a lump-sum payment, in accordance with regulations of the board.

(b) *If a member electing to receive credit for service under this part is authorized to pay for that service in installment payments beginning on or after January 1, 2004, the amount of the installment payments shall include an actuarial adjustment, as determined by the chief actuary, as necessary to take into account the provisions of Section 21037.*